

Message Text

CONFIDENTIAL

PAGE 01 DAMASC 05923 051730Z

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ACTION NEA-10

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CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

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TRSE-00 STR-04 OMB-01 CEA-01 COME-00 AGR-05 AGRE-00

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FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC IMMEDIATE 9423

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY NOUAKCHOTT

AMEMBASSY RABAT

AMEMBASSY SANA

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

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E.O. 11652: GDS

TAGS: ETRD SY

SUBJ: ANTI-BOYCOTT AND ANTI-DISCRIMINATION LEGISLATION

REF: (A) STATE 216549, (B) DAMASCUS 4693, (C) DAMASCUS 4051,

(D) DAMASCUS 2700, (E) DAMASCUS 5447

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 DAMASC 05923 051730Z

1. SUMMARY: THERE HAS AS YET BEEN NO OFFICIAL AND LITTLE PRESS REACTION IN SYRIA ON PROPOSED ANTI-BOYCOTT OR ANTI-DISCRIMINATION LEGISLATION PENDING IN THE CONGRESS OWING TO ALMOST TOTAL PREOCCUPATION WITH LEBANESE CRISIS. WE BELIEVE, HOWEVER, THAT LEGISLATION OF THIS SORT WILL NOT INDUCE THE SYRIAN GOVERNMENT TO RELAX APPLICATION OF THE BOYCOTT: TO THE CONTRARY IT MAY SO PUBLICIZE THE BOYCOTT AS TO FORCE DAMASCUS TO CEASE ACCOMMODATIONS IT HAS ALREADY REACHED WITH AMERICAN FIRMS AND USAID. LEGISLATION COULD ALSO HAVE NEGATIVE IMPACT ON OUR POLITICAL RELATIONS WITH DAMASCUS AND CUT DEEPLY INTO U.S. COMMERCIAL SALES NOW ESTIMATED AT \$10-20 MILLION PER MONTH IN 1975-76. END SUMMARY.

2. SYRIAN ENFORCEMENT OF THE BOYCOTT IS PROBABLY AMONG STRICTEST IN ARAB WORLD BUT EXCEPTIONS HAVE BEGUN TO APPEAR. BOYCOTT RULES ARE PRAGMATICALLY OVERLOOKED WHEN MAJOR ECONOMIC OR DEFENSE INTERESTS ARE INVOLVED; CONSEQUENTLY THE SYRIAN ARMED FORCES AND SECURITY SERVICES BUY A WIDE RANGE OF BOYCOTTED GOODS, THE MOST CONSPICUOUS OF WHICH ARE BRITISH LEYLAND LAND ROVERS AND RANGE ROVERS. SECONDLY, THE SYRIAN GOVERNMENT AFTER CONSIDERABLE "QUIET DIPLOMACY" ON OUR PART HAS MANAGED TO DROP BOYCOTT CLAUSES IN CONTRACTS FINANCED BY USAID (REF C AND D) AND UNDER PL-480. GOVERNMENT PURCHASING AGENCIES HAVE ALSO OCCASIONALLY BEEN WILLING TO ELIMINATE OR MODIFY OFFENSIVE BOYCOTT LANGUAGE IN CONTRACTS WITH PRIVATE U.S. FIRMS FOR NON-STRATEGIC COMMERCIALLY FINANCED GOODS. FOR EXAMPLE, ONE U.S. COMPANY RECENTLY SIGNED A \$3.3 MILLION CONTRACT NOT CONTAINING BOYCOTT LANGUAGE. IN THIS CASE, THE SYRIAN NEGOTIATORS PRESENTED A CONTRACT CONTAINING A BOYCOTT CLAUSE WHICH THE U.S. FIRM FOUND OBJECTIONABLE; THE SYRIANS THEN SUBSTITUTED A CLAUSE REQUIRING THAT SHIPPING DOCUMENTS CERTIFY THAT THE GOODS ORIGINATE FROM THE COUNTRY OF EXPORT (REF E). OTHER U.S. FIRMS ALSO HAVE QUIETLY AND SUCCESSFULLY NEGOTIATED SUCH ACCEPTABLE LANGUAGE IN CONTRACTS WITH THE SYRIAN GOVERNMENT. STILL OTHER FIRMS HAVE NOT BEEN ABLE TO DO SO.

CONFIDENTIAL

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PAGE 03 DAMASC 05923 051730Z

3. WITH REGARD TO SPECIFIC PROVISIONS OF THE PROPOSED LEGISLATION, WE BELIEVE ONLY ITEMS (I) AND (III) PERTAINING TO DISCRIMINATION AGAINST EMPLOYEES OF U.S. FIRMS WITH REGARD TO RACE, CREED, NATIONAL ORIGIN, ETC., WOULD BE INCONSEQUENTIAL. AS WE HAVE PREVIOUSLY REPORTED (REF B), SYRIANS HAVE BEEN RELATIVELY COOPERATIVE IN PREVENTING LANGUAGE BARRING PERSONS OF JEWISH ORIGINS FROM CREEPING INTO BOYCOTT CLAUSES. MOST U.S. COMMERCIAL FIRMS COULD

AS EASILY WORK THIS PROBLEM OUT AND STAY WITHIN THE LAW. HOWEVER, ITEMS (II) AND (IV), PARTICULARLY THE PASSAGE IN ITEM (II) "...REFRAINING FROM DOING BUSINESS WITH...THE BOYCOTTED COUNTRY, WITH ANY BUSINESS CONCERN OR OTHER PERSON OF THE BOYCOTTED COUNTRY..." IN EFFECT, DEMANDS SYRIA DROP PRIMARY BOYCOTT. POLITICALLY, SYRIA IS NOT READY TO GO THIS FAR, PARTICULARLY IF IT HAD TO DO SO PUBLICLY OR IF IT APPEARED THAT SYRIA WAS REACTING TO U.S. PRESSURE. IF STRICTLY ENFORCED, THESE PROVISIONS WOULD MAKE IT VIRTUALLY IMPOSSIBLE FOR AMERICAN FIRMS TO CARRY ON BUSINESS IN SYRIA. FOR EXAMPLE, IN REF E, SYRIANS REQUIRED ONLY THAT GOODS DELIVERED BY A U.S. COMPANY NOT BE CARRIED IN ISRAELI BOTTOMS AND THAT SHIP NOT CALL AT ISRAELI PORT PRIOR TO DELIVERY TO SYRIA. PARA (IV) OF HIRC AMENDMENT WOULD APPEAR TO MAKE CONFORMING EVEN TO THIS AN ILLEGAL ACT.

4. STEVENSON AMENDMENT PRESENTS FEWER PROBLEMS. IT WOULD CAUSE LITTLE TROUBLE TO U.S. FIRMS ALREADY DEEPLY COMMITTED TO BUSINESS IN ARAB WORLD. IT MIGHT INHIBIT NEWCOMERS, PARTICULARLY SMALL FIRMS AND LEAVE FIELD ENTIRELY TO MULTI-NATIONALS. IT MIGHT ALSO PREVENT FIRMS LIKE FORD FROM UNDERTAKING "BALANCING ACT" TO GET OFF BOYCOTT. IN FACT, STEVENSON AMENDMENT'S MOST SERIOUS DRAWBACK MAY BE PUBLICITY.

5. PUBLICITY SURROUNDING NEW LEGISLATION CANNOT HELP BUT LESSEN LIKELIHOOD OF SYRIAN COOPEATION. THE HIRC BILL, IF PASSED IN ITS PRESENT FORM, WOULD PROBABLY DELAY AID PROGRAM PURCHASES. MUCH OF OUR SHARE OF THE SYRIAN MARKET COULD BE LOST IN LARGE PART TO EUROPEAN AND JAPANESE COMPETITION. THE STEVENSON

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 DAMASC 05923 051730Z

AMENDMENT WOULD PROBABLY NOT CAUSE SUCH IMMEDIATE DAMAGE. IN OUR VIEW, HOWEVER, EITHER BILL WOULD BE VIEWED IN DAMASCUS AS A HOSTILE ACT AFFECTING OUR BILATERAL RELATIONS AND OUR EFFORTS TO BRING ABOUT A SETTLEMENT OF THE ARAB-ISRAELI PROBLEM.

6. TO CONCLUDE, SYRIANS HAVE BEGUN TO RESPOND TO OUR EFFORTS BY GRANTING SELECTIVE EXEMPTIONS FROM BOYCOTT LEGISLATION AND WE BELIEVE CONTINUED DIPLOMATIC EFFORTS WILL IN TIME BRING ABOUT GREATER RELAXATION OF CURRENT RESTRICTIONS. ON OTHER HAND, SYRIANS WILL NOT BE BUDGED FROM THEIR ENFORCEMENT OF THE BOYCOTT BY U.S. LEGISLATION. IN FACT, PUBLICITY ATTENDANT UPON THIS LEGISLATION COULD WELL PUSH DAMASCUS TO TIGHTEN UP WHAT HAD BECOME A STEADILY

MORE ACCOMMODATING ENFORCEMENT.

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